



KANSAS

DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

June 14, 2005

To: Governor Kathleen Sebelius and Legislative Budget Committee

From: Kansas Division of the Budget and Kansas Legislative Research Department

Re: Update to SGF Memo for FY 2005 (Revised) and FY 2006 (Revised)

The Consensus Estimating Group met today to update informally the estimates for FY 2005 and FY 2006 which were made on April 18 (and subsequently adjusted for legislation enacted during the veto session). The meeting was held at the request of the Governor and legislative leadership to analyze actual receipts since mid-April prior to the start of the special legislative session.

The update increased the estimates by \$86.0 million, or 1.8 percent, in each fiscal year. SGF receipts through May were more than \$75.0 million ahead of the adjusted estimate. Of this amount, approximately \$37.0 million is attributable to increases in individual income tax receipts; \$25.0 million in corporation income taxes; and \$8.0 million in corporation franchise taxes. Agency earnings also exceeded the estimate through May by nearly \$6.0 million. Stronger than anticipated tax receipts in May have, in general, been experienced by other states and the federal government.

The review of these and other major tax sources indicated that FY 2005 receipts are likely on pace to finish about \$86.0 million ahead of the previous estimate; and FY 2006 receipts would appear to be understated by approximately \$86.0 million. Thus, the informal finding of the group is that the combined estimate for FY 2005 and FY 2006 needs to be increased by \$172.0 million.

Final FY 2005 receipts will not be known until well into July, and the Consensus Group will not formally convene until this fall to review the FY 2006 estimate. The following factors were taken into consideration in the informal revisions of the estimates, which can be found in the attached tables.

Individual Income Tax

- Average balances due through May were running nearly \$100 ahead of the previous year. (Through April, average balances due had been running only \$7 ahead of the previous year.)
- The state received approximately 10,000 more remittances through May than in the previous year.
- By contrast, the state processed approximately the same number of refunds during this filing season compared to the previous year, but paid out only \$1.0 million more in refunds.
- Processing time was apparently three days slower in 2005, effectively pushing some receipts into May that otherwise would have been deposited in April.
- Strong growth in estimated payments and withholding in April and May also contributed to some of the unanticipated growth.

Corporation Income Tax

- The amount of balances due in April and May were nearly double (\$38.0 million versus \$19.0 million) the amount received a year earlier.
- Estimated payments also showed significant growth during these two months (\$37.0 million in April versus \$24.0 million in May).

Franchise Taxes

- Based on receipts through mid-April, the group had cut the franchise tax estimate for FY 2005 from \$48.0 million to \$40.0 million. Strong collections in late April and early May had receipts well in excess of \$45.0 million by the end of May.

Agency Earnings

- Unanticipated growth in agency earnings attributable to unclaimed property caused this source to be running almost \$6.0 million ahead of the estimate through May.

Table 1
Consensus Revenue Estimates for Fiscal Years 2005 and 2006, as Updated June 14, 2005
and FY 2004 Actual Receipts

(Dollars in Thousands)

	FY 2004 (Actual)		FY 2005 (Revised)		FY 2006 (Revised)	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$19,498	7.9 %	\$21,000	7.7 %	\$24,000	14.3 %
Motor Vehicle	1,541		1,400			
Ad Valorem	13,718		500			
Total	\$34,757		\$22,900		\$24,000	
Income Taxes:						
Individual	\$1,888,431	3.2	\$2,040,000	8.0	\$2,130,000	4.4 %
Corporation	141,173	50.3	205,000	45.2	210,000	2.4
Financial Inst.	25,435	(8.9)	22,000	(13.5)	22,000	--
Total	\$2,055,039	5.3 %	\$2,267,000	10.3 %	\$2,362,000	4.2 %
Estate Tax	\$48,064	(0.0) %	\$52,000	8.2 %	\$52,000	-- %
Excise Taxes:						
Retail Sales	\$1,612,067	9.6 %	\$1,650,000	2.4 %	\$1,700,000	3.0 %
Compensating Use	214,503	(8.2)	242,000	12.8	250,000	3.3
Cigarette	119,789	149.3	117,500	(1.9)	116,500	(0.9)
Tobacco Product	4,797	11.5	4,900	2.1	5,000	2.0
Cereal Malt Beverage	2,165	(9.0)	2,100	(3.0)	2,000	(4.8)
Liquor Gallonage	15,843	8.3	15,500	(2.2)	15,500	--
Liquor Enforcement	40,256	7.6	42,300	5.1	44,000	4.0
Liquor Drink	7,152	8.1	7,500	4.9	7,700	2.7
Corporate Franchise	36,806	99.0	46,000	25.0	46,000	--
Severance	84,641	52.0	101,200	19.6	102,200	1.0
Gas	66,054	58.1	71,700	8.5	72,700	1.4
Oil	18,587	33.8	29,500	58.7	29,500	--
Total	\$2,138,019	13.0 %	\$2,229,000	4.3 %	\$2,288,900	2.7 %
Other Taxes:						
Insurance Premium	\$106,864	25.8 %	\$102,000	(4.6) %	\$104,000	2.0 %
Miscellaneous	4,387	124.3	4,300	(2.0)	4,300	--
Total	\$111,251	28.0 %	\$106,300	(4.5) %	\$108,300	1.9 %
Total Taxes	\$4,387,130	9.8 %	\$4,677,200	6.6 %	\$4,835,200	3.4 %
Other Revenues:						
Interest	\$13,870		\$25,000		\$54,000	
Net Transfers	16,721		17,580		(15,153)	
Demand to Revenue Transfers	(62,699)		(70,593)		(73,783)	
Other Transfers	79,420		88,173		58,630	
Agency Earnings	101,005		74,000		66,152	
Total Other Revenue	\$131,596	17.7 %	\$116,580	(11.4) %	\$104,999	(9.9) %
Total Receipts	\$4,518,726	10.0 %	\$4,793,780	6.1 %	\$4,940,199	3.1 %

Table 2
State General Fund Receipts
FY 2005 Revised, as Adjusted for Legislation, and Updated June 14, 2005
Comparison of April 2005 Estimate to June 2005 Update
(Dollars in Thousands)

	FY 2005 CRE Est. Revised 4/18/05 and Adjusted for Legislation	FY 2005 CRE Est. Adjusted for Legislation and Updated 6/14/05	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$23,000	\$21,000	(\$2,000)	(8.7) %
Motor Vehicle	1,400	1,400	--	--
Ad Valorem	500	500	--	--
Total	\$24,900	\$22,900	(\$2,000)	(8.0) %
Income Taxes:				
Individual	\$1,997,000	\$2,040,000	\$43,000	2.2 %
Corporation	170,000	205,000	35,000	20.6
Financial Inst.	22,000	22,000	--	--
Total	\$2,189,000	\$2,267,000	\$78,000	3.6 %
Estate Tax	\$52,000	\$52,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,650,000	\$1,650,000	\$ --	-- %
Compensating Use	242,000	242,000	--	--
Cigarette	117,500	117,500	--	--
Tobacco Product	4,900	4,900	--	--
Cereal Malt Beverage	2,100	2,100	--	--
Liquor Gallonage	15,500	15,500	--	--
Liquor Enforcement	42,300	42,300	--	--
Liquor Drink	7,500	7,500	--	--
Corporate Franchise	40,000	46,000	6,000	15.0
Severance	101,200	101,200	--	--
Gas	71,700	71,700	--	--
Oil	29,500	29,500	--	--
Total	\$2,223,000	\$2,229,000	\$6,000	0.3 %
Other Taxes:				
Insurance Premium	\$102,000	\$102,000	\$ --	-- %
Miscellaneous	4,300	4,300	--	--
Total	\$106,300	\$106,300	\$ --	-- %
Total Taxes	\$4,595,200	\$4,677,200	\$82,000	1.8 %
Other Revenues:				
Interest	\$27,000	\$25,000	(\$2,000)	(7.4) %
Net Transfers	17,580	17,580	--	
Demand to Revenue Transfers	(70,593)	(70,593)	--	
Other Transfers	88,173	88,173	--	
Agency Earnings	68,000	74,000	6,000	8.8
Total Other Revenue	\$112,580	\$116,580	\$4,000	3.6 %
Total Receipts	\$4,707,780	\$4,793,780	\$86,000	1.8 %

Table 3
State General Fund Receipts
FY 2006 Revised, as Adjusted for Legislation, and Updated June 14, 2005
Comparison of April 2005 Estimate to June 2005 Update
(Dollars in Thousands)

	FY 2006 CRE Est. Revised 4/18/05 and Adjusted for Legislation	FY 2006 CRE Est. Adjusted for Legislation and Updated 6/14/05	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$24,000	\$24,000	\$ --	-- %
Motor Vehicle	--	--	--	--
Ad Valorem	--	--	--	--
Total	\$24,000	\$24,000	\$ --	-- %
Income Taxes:				
Individual	\$2,085,000	\$2,130,000	\$45,000	2.2 %
Corporation	175,000	210,000	35,000	20.0
Financial Inst.	22,000	22,000	--	--
Total	\$2,282,000	\$2,362,000	\$80,000	3.5 %
Estate Tax	\$52,000	\$52,000	\$ --	-- %
Excise Taxes:				
Retail Sales	\$1,700,000	\$1,700,000	\$ --	-- %
Compensating Use	250,000	250,000	--	--
Cigarette	116,500	116,500	--	--
Tobacco Product	5,000	5,000	--	--
Cereal Malt Beverage	2,000	2,000	--	--
Liquor Gallonage	15,500	15,500	--	--
Liquor Enforcement	44,000	44,000	--	--
Liquor Drink	7,700	7,700	--	--
Corporate Franchise	40,000	46,000	6,000	15.0
Severance	102,200	102,200	--	--
Gas	72,700	72,700	--	--
Oil	29,500	29,500	--	--
Total	\$2,282,900	\$2,288,900	\$6,000	0.3 %
Other Taxes:				
Insurance Premium	\$104,000	\$104,000	\$ --	-- %
Miscellaneous	4,300	4,300	--	--
Total	\$108,300	\$108,300	\$ --	-- %
Total Taxes	\$4,749,200	\$4,835,200	\$86,000	1.8 %
Other Revenues:				
Interest	\$54,000	\$54,000	\$ --	-- %
Net Transfers	(15,153)	(15,153)	--	--
Demand to Revenue	(73,783)	(73,783)	--	--
Other Transfers	58,630	58,630	--	--
Agency Earnings	66,152	66,152	--	--
Total Other Revenue	\$104,999	\$104,999	\$ --	-- %
Total Receipts	\$4,854,199	\$4,940,199	\$86,000	1.8 %